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# HERSHEY'S

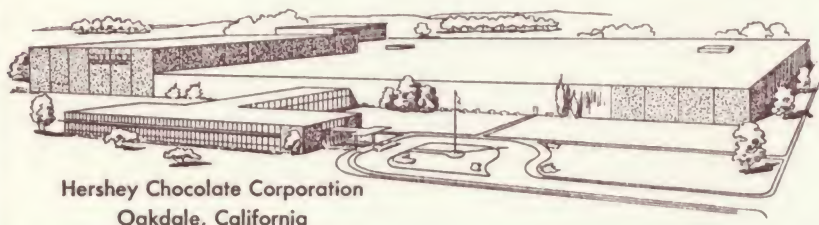
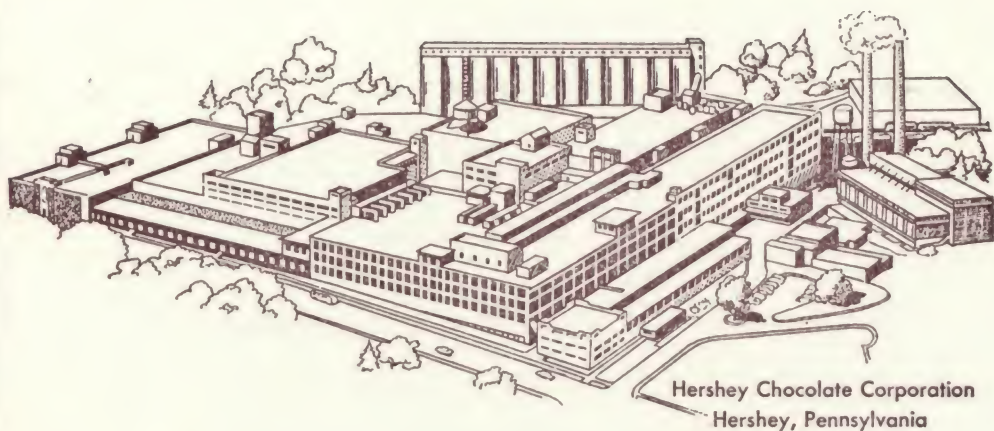


**ANNUAL REPORT**  
**DECEMBER 31, 1965**

# HERSHEY'S



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## HERSHEY CHOCOLATE CORPORATION AND SUBSIDIARIES

## BOARD OF DIRECTORS

W. E. SCHILLER, *Chairman*

W. E. DEARDEN

G. NURICK

J. HEMPHILL

R. L. UHRICH

H. S. MOHLER

A. R. WHITEMAN

## OFFICERS

H. S. MOHLER, *President*

W. E. SCHILLER, *Chairman of the Board and Treasurer*

R. L. UHRICH, *Secretary*

L. W. SIMMONS, *Comptroller*

## TRANSFER AGENT

FIRST NATIONAL CITY BANK  
NEW YORK

## REGISTRAR

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK

## AUDITORS

ARTHUR ANDERSEN & CO.  
NEW YORK



## To the Stockholders:

We are pleased to report that 1965 was another year of continued prosperity and growth for Hershey Chocolate Corporation. Sales, earnings and dividends were the highest in the history of the Company. Sales totalled \$211,780,687 as contrasted to \$207,129,308 in 1964. Net earnings were \$24,722,000 as compared to \$22,745,755 in 1964. Net income for 1965 was increased approximately \$1,160,000 as a result of changing the treatment of investment credit. Net earnings per share in 1965 were \$2.02 and in 1964 they were \$1.86. Dividends paid amounted to \$1.00 per share in 1965 and 92½ cents in 1964.

In the operation of our business, we must constantly concern ourselves with the supply and prices of our major raw materials, particularly of cocoa beans. The 1964-65 crop was the largest in history and prices dipped to the lowest level in approximately two decades. Reports indicate that the current crop will be lower than that of the previous year. This reduction in output together with the intense activity of speculators resulted in higher prices. They have now reached approximately the average for the 1961-1964 period. There is continued activity by the producing countries to promote regulation and control of selling prices. These efforts are opposed by the importers and manufacturers in the United States and certain other consuming countries. It is our sincere conviction that the interests of all parties would be served best by permitting the economic law of supply and demand to determine the price. An artificially-fixed and regulated price can only result in increased costs which will be reflected in consumer resistance and a lower demand for chocolate products. Such a reaction would inevitably reduce the demand for cocoa beans and would ultimately injure the very persons whom the regulated prices were designed to benefit.

A significant event during 1965 was the official opening of our western plant at Oakdale, California, on May 22. An enthusiastic crowd of nearly ten thousand attended the ceremonies and toured the plant. We were deeply gratified with the sincere interest shown by the townspeople and the state and local officials. The plant is now substantially in full production and regular tours have been established. We have every reason to expect that this plant will attract a continuous influx of interested visitors. They will be welcome.

While on the subject of visitors, we are pleased to report that during 1965 over 500,000 toured our Hershey, Pennsylvania plant — an all-time record. This tour program has proved to be a valuable promotion and marketing asset.

In the 1964 annual report reference was made to the advertising program inaugurated in Canada. This campaign has been supplemented by an aggressive marketing and sales program. We are pleased to report that there is a steady increase in sales and a progressive penetration of the Canadian market, where our products are developing an ever-increasing consumer acceptance. We are optimistic about our future in Canada.

Ours is a highly competitive market and in order to maintain a favorable position it is essential that we constantly improve our methods, keep pace with technological developments relating to our operations, keep abreast of modern marketing and sales techniques, and develop new products designed to attract consumer acceptance. The record for 1965 demonstrates that your Company has not neglected these important items. During the year, we spent \$7,600,000 for plant and property additions and improvements. William E. Dearden has been appointed Director of Sales and Marketing and his staff has been enhanced by specialists in the field of marketing. Several new products were developed during the year including MARSHMALLOW CUPS which are described in the enclosed sample of promotional material. Other products are presently being test-marketed and, in the territory in which they have been introduced, the consumer reception has been most encouraging.

There were several changes in executive management during 1965. Samuel F. Hinkle, whose service with the Company spanned more than four decades, retired as President and Chairman of the Board on June 30. He came to Hershey in 1924 as Chief Chemist and Director of Research, was appointed Plant Manager in 1947, and was elected to the Board of Directors in 1948. He became President in 1956 and Chairman of the Board of Directors in 1962. Mr. Hinkle's dynamic and inspiring leadership was largely responsible for the dramatic developments during his nine years of executive stewardship. He also made many contributions of major importance to the industry. Elected to succeed Mr. Hinkle as Chairman of the Board was William E. Schiller, previously Vice President and Treasurer. Harold S. Mohler, previously Vice President, was elected President and chief executive officer of the corporation.

Another prominent figure in the industry, Robert H. Reese, retired on June 30 as a director of Hershey Chocolate Corporation and as President and director of our subsidiary, H. B. Reese Candy Co., Inc. He had been active in the management and development of the Reese Company since its founding in 1923 and was highly regarded throughout the industry.

On May 12, 1965, two new members were elected to the Board of Directors, William E. Dearden, Director of Sales and Marketing, and

Gilbert Nurick, Senior Partner of the law firm of McNees, Wallace and Nurick of Harrisburg, Pennsylvania, a firm which has served the Company as counsel for many years.

As we review the accomplishments of the past year and face the challenging problems of the future, it is appropriate that we express our sincere gratitude to the officers, directors, and employees for their loyal and devoted service. With the increasing inflationary pressures, the uncertainties of the cocoa bean market, and the intense competition for the consumer dollar, we can anticipate that 1966 will require the dedication of our total energy and wisdom to the task ahead. Through our combined efforts we earnestly hope and expect that we shall be able to continue our growth and maintain our record of prosperity.

Respectfully submitted,

*W. E. Schiller*

Chairman of the Board

*H. S. Mohler*

President

February 16, 1966



# HERSHEY CHOCOL

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## CONSOLIDATED

### ASSETS

	December 31	
	<u>1965</u>	<u>1964</u>
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 6,112,795	\$ 5,939,644
Marketable securities, at cost.....	6,199,431	—
Accounts receivable, less reserves ...	9,527,996	9,264,771
Inventories (See Note) .....	<u>68,040,479</u>	<u>78,585,444</u>
Total current assets .....	<u>\$ 89,880,701</u>	<u>\$ 93,789,859</u>
<b>PLANT AND PROPERTY, at cost:</b>		
Land, buildings and equipment .....	\$ 85,527,419	\$ 78,966,596
Less—Reserves for depreciation .....	<u>32,935,886</u>	<u>31,583,369</u>
Net plant and property .....	<u>\$ 52,591,533</u>	<u>\$ 47,383,227</u>
<b>OTHER ASSETS</b> .....	<u>\$ 1,997,636</u>	<u>\$ 592,981</u>
	<u><u>\$144,469,870</u></u>	<u><u>\$141,766,067</u></u>

NOTE: Inventories of cocoa beans, almonds, peanuts and milk together with are substantially all stated at cost under the "last-in, first-out" metho



# TE CORPORATION

subsidiaries

## BALANCE SHEET

### LIABILITIES

	December 31	
	1965	1964
<b>CURRENT LIABILITIES:</b>		
Bank loan .....	\$ —	\$ 3,000,000
Accounts payable and accrued liabilities .....	7,795,989	6,797,201
Reserve for state taxes .....	937,188	967,777
Reserve for Federal income tax (less, in 1965, U.S. Government short-term securities, \$7,390,722) .....	1,705,097	11,416,393
Total current liabilities .....	\$ 10,438,274	\$ 22,181,371
<b>RESERVE FOR DEFERRED INCOME TAXES .....</b>	<b>\$ 3,900,000</b>	<b>\$ 1,950,000</b>
<b>CAPITAL STOCK AND SURPLUS:</b>		
Common stock, without par value — Authorized 15,000,000 shares; outstanding — 1965 and 1964, 12,225,100 shares .....	\$ 9,030,848	\$ 9,030,848
Earned surplus .....	121,100,748	108,603,848
Total capital stock and surplus .....	\$130,131,596	\$117,634,696
	<u>\$144,469,870</u>	<u>\$141,766,067</u>

materials and wage costs included in finished goods and goods in process, the remaining inventories are stated at the lower of average cost or market.

# HERSHEY CHOCOLATE CORPORATION

and Subsidiaries

## CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS

### PROFIT AND LOSS

	For the Years Ended December 31	
	1965	1964
NET SALES .....	\$211,780,687	\$207,129,308
COSTS AND EXPENSES:		
Cost of goods sold .....	\$135,225,454	\$132,669,818
Shipping expenses .....	12,624,583	12,603,534
Selling, administrative and general expenses .....	15,458,218	14,327,666
Total costs and expenses .....	\$163,308,255	\$159,601,018
Profit from operations .....	\$ 48,472,432	\$ 47,528,290
OTHER INCOME (EXPENSE) Net .....	29,568	(17,535)
Profit before income taxes .....	\$ 48,502,000	\$ 47,510,755
PROVISION FOR INCOME TAXES:		
Federal income tax .....	\$ 21,965,000	\$ 22,940,000
Pennsylvania income tax .....	1,815,000	1,825,000
Total income taxes .....	\$ 23,780,000	\$ 24,765,000
Net profit for the year .....	\$ 24,722,000	\$ 22,745,755

NOTES: Costs and expenses include depreciation of plant and equipment — 1965, \$2,282,092; 1964, \$2,068,745.

For 1965 the investment credit, allowable under the Internal Revenue Act, has been credited to the provision for Federal income taxes. Such credits for prior years were deferred and are being amortized over the approximate life of the assets. The change in accounting practice increased net income in 1965 by \$1,160,000.

### EARNED SURPLUS

	For the Year Ended December 31, 1965
BALANCE AT DECEMBER 31, 1964 .....	\$108,603,848
ADD — Net profit for the year 1965 .....	24,722,000
	\$133,325,848
DEDUCT — Dividends, \$1.00 a share .....	12,225,100
BALANCE AT DECEMBER 31, 1965 .....	\$121,100,748

## AUDITORS' OPINION

*To the Board of Directors and Stockholders of  
Hershey Chocolate Corporation:*

We have examined the consolidated balance sheet of Hershey Chocolate Corporation ( a Delaware corporation ) and subsidiaries as of December 31, 1965, and the related statements of consolidated profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the preceding year.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of Hershey Chocolate Corporation and subsidiaries as of December 31, 1965, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO. (

New York, N. Y.,  
February 8, 1966.

# **HERSHEY CHOCOLATE CORPORATION**

**and Subsidiaries**

## **EXECUTIVE OFFICES**

Hershey, Pennsylvania

Smiths Falls, Ontario

## **MANUFACTURING PLANTS**

Hershey, Pennsylvania

Oakdale, California

Smiths Falls, Ontario

## **WAREHOUSES**

### **UNITED STATES**

Atlanta, Ga.

Little Rock, Ark.

Billings, Mont.

Los Angeles, Cal.

Cambridge, Mass.

Memphis, Tenn.

Chicago, Ill.

Miami, Fla.

Cincinnati, Ohio

Milwaukee, Wis.

Dallas, Texas

New Orleans, La.

Davenport, Iowa

North Bergen, N. J.

Denver, Colo.

Oklahoma City, Okla.

Detroit, Mich.

Omaha, Neb.

East St. Louis, Ill.

Pittsburgh, Pa.

Honolulu, Hawaii

Portland, Ore.

Houston, Texas

St. Paul, Minn.

Jacksonville, Fla.

Salt Lake City, Utah

Kansas City, Mo.

Seattle, Wash.

San Juan, Puerto Rico

### **CANADA**

Calgary, Alberta

Vancouver, British Columbia

Moncton, New Brunswick

Winnipeg, Manitoba

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## **SALES OFFICES**

In principal cities of the United States and Canada.



## **HERSHEY'S PRODUCTS**

### **FOR THE CONSUMER**

MILK CHOCOLATE BARS	MILK CHOCOLATE KISSES
ALMOND BARS	BAKING CHOCOLATE
SEMI-SWEET BARS	DAINTIES
KRACKEL BARS	COCOA
MR. GOODBAR	CHOCOLATE SYRUP
BUTTER CHIP BARS	INSTANT COCOA MIX
MINIATURE BARS	HOT CHOCOLATE POWDER
HERSHEY-ETS	CHOCOLATE TOPPINGS
MINT CHOCOLATE	BUTTERSCOTCH TOPPING
CHOCOLATE COVERED ALMONDS	SWEET MILK COCOA
CHOCOLATE COVERED PEANUTS	MARSHMALLOW CUPS

### **FOR INDUSTRIAL USERS**

(Confectionery, Baking, Ice Cream, and other Industries)

CHOCOLATE COATINGS	COCOA POWDER
PASTEL COATINGS	CHOCOLATE SYRUP
COCOA BUTTER	

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## **REESE'S PRODUCTS**

### **REESE'S PEANUT BUTTER CUPS**

(In various sizes and packages for the consumer)



*Here's the new one...a MIGHTY one...*

# HERSHEY'S<sup>®</sup> ALMOND MILK CHOCOLATE...



*...is now wrapped around...*



## MARSHMALLOW!

HERSHEY'S MILK  
CHOCOLATE with  
chopped almonds  
*outside*

Rich, delicious  
MARSHMALLOW  
*inside*

...and you can wrap up NEW and REPEAT SALES with  
another winner from CHOCOLATE TOWN, U.S.A.!

# 5<sup>c</sup>

ITEM 380  
24 COUNT BOX









